

UNITED STATES SENATOR • IOWA  
**CHUCK GRASSLEY**  
RANKING MEMBER • SENATE COMMITTEE ON FINANCE

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For Immediate Release  
Wednesday, Oct. 10, 2001

Grassley, Baucus Examine Customs' Enforcement of Money Laundering

WASHINGTON – Sen. Chuck Grassley, lead Republican of the Committee on Finance, and Sen. Max Baucus, chairman, today sent a letter to the U.S. Customs Service to learn whether the agency is adequately enforcing anti-money laundering requirements. Today's request follows a similar request from the senators to the Internal Revenue Service. The text of both letters follows.

October 10, 2001

Via Regular Mail and Facsimile: (202) 927-2152

The Honorable Robert C. Bonner  
Commissioner  
United States Customs Service  
1300 Pennsylvania Avenue, NW  
Washington, D.C. 20229

Dear Commissioner Bonner:

\_\_\_\_\_ We are writing this letter to inform you about a matter of mutual concern. The grave acts of terrorism of September 11 and continued threats of terrorism committed by foreign terrorists pose an extraordinary threat to our national security. Preliminary reports regarding the terrorist attacks indicate the perpetrators and their accomplices were supported by a pervasive and sophisticated financial network that relied heavily on the use of cash.

It has been reported that some of the four airplanes' hijackers paid cash for their flight school instruction, airline tickets and other expenditures, and that a number of accomplices detained by federal authorities were reportedly carrying bags that contained large amounts of cash or cashiers' checks. A recent report in the *Washington Post* stated that Federal officials are investigating whether, in at least two instances, someone carried more than \$10,000 in cash for the terrorist operation through a U.S. Customs Service (Customs) checkpoint and reported it to authorities as required by law.

\_\_\_\_\_ In fulfilling our congressional oversight responsibilities, we are writing relevant Treasury agencies with federal law enforcement authority regarding the quality, timeliness, and dissemination of the information they collect and use to combat money laundering. As you know, there is no limitation on the total amount of currency or other monetary instruments that may be brought into or taken out of the United States, nor is it illegal to do so. However, any person who physically transports, mails, or ships currency or other monetary instruments in an aggregate amount exceeding \$10,000 at one time from the United States to any foreign place, or into the United States from any foreign place, must file a report with U.S. Customs. This report is called the “Report of International Transportation of Currency or Monetary Instruments, Customs Form-4790 ”(CF-4790). Although no taxes or duties are imposed, undeclared currency in excess of \$10,000 is subject to seizure.

We are interested in learning about how Customs and other law enforcement agencies use information relating to the movement of currency as reported on Federal forms, how Customs interdicts illicit proceeds, and whether reporting requirements have been helpful to Customs and other law enforcement agencies in tracking down suspected terrorists connected with the September 11 attacks. Accordingly, we appreciate your detailed answers to the following questions as they relate to Customs:

1. Describe Customs’ enforcement systems strategies to combat money laundering. Please include the following elements in your response:
  - a. The name and purpose of any relevant forms, and attach copies of same;
  - b. Whether Customs shares any information reported on the form with another Federal government entity;
  - c. Whether there are any limitations on Customs’ legal use or dissemination of any information reported on these forms; and
  - d. What Customs’ databases are used, and whether these databases are current and adequate.
2. Describe the level of reporting compliance to Customs by individuals and by the business community. Please include the following elements in your response:
  - a. The number of forms filed annually by individuals;
  - b. The number of forms filed annually by the business community;
  - c. The percentage of forms that are filed in a timely, complete, and accurate manner;
  - d. Customs’ efforts to ensure compliance, including educational outreach; and
  - e. Average processing times.
3. Describe Customs procedures to investigate suspected money launderers and to interdict illicit proceeds.
4. Describe Customs’ enforcement procedures relating to monetary seizures. Please

include the following elements in your response based on the last three (3) years (fiscal or calendar) as defined by your agency:

- a. The numbers of monetary seizures;
  - b. The monetary amount of monetary seizures; and
  - c. Where the largest seizures have occurred.
- d. In addition to the information provided in your response to question one (1), describe Customs' efforts to coordinate with other Federal and state governments to combat money laundering with particular regard to monetary reporting. Specifically, how is the information provided on a CF-4790 shared with other law enforcement agencies?
- e. Describe the resources Customs currently dedicates to its enforcement systems strategies relating to money laundering. Also, describe Customs' plans, if any, to increase these resources in the long- and short-term as defined by your agency.
- f. In dealing with cash smuggling, how does Customs allocate its resources between inbound and outbound passengers?
- g. State Customs' knowledge of any and all cash transaction related to the September 11 attacks that were or should have been reported to Customs. Please include the following elements in your response:
- a. Whether the transaction was reported to Customs and, if not, explain why not;
  - b. The nature of the transaction;
  - c. The date of the transaction;
  - d. The name and last known address of the individual or business making the transaction;
  - e. The amount of the transaction; and
  - f. Where the transaction occurred.

Given the urgency of this matter, we would like a response to this inquiry no later than October 22, 2001. Since answers to some of these questions might contain sensitive information, we give you the option of also providing us with a separate, redacted version of your response that can be disclosed to the public.

Sincerely,

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Max Baucus

Charles E. Grassley

Chairman

Ranking Member

cc: The Honorable Paul O'Neill

For Immediate Release

Thursday, Sept. 27, 2001

Grassley, Baucus Investigate Adequacy of Key Anti-Money Laundering Law

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, and Sen. Max Baucus, chairman, today sent a letter to the Internal Revenue Service to collect information that will help them determine whether a key anti-money laundering law is adequate and if so, is being enforced adequately. The inquiry came in response to revelations that the perpetrators of the Sept. 11 attacks relied heavily upon cash transactions.

“In the late 1920s, Al Capone’s lavish spending and frequent cash transactions attracted IRS scrutiny,” Grassley said. “The rest is history. Capone spent several years of his prison sentence for tax evasion on Alcatraz Island. Cash transactions have long been the criminals’ financial tool of choice. Terrorists are the latest to take advantage of this. To preserve national security, anti-money laundering laws have to work well.”

The text of the Grassley-Baucus letter follows.

September 27, 2001

The Honorable Charles E. Rossotti  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue, N.W.  
Washington, D.C. 20224

Dear Commissioner Rossotti:

We are writing this letter to inform you about a matter of mutual concern. The grave acts of terrorism of September 11 and continued threats of terrorism committed by foreign terrorists pose an extraordinary threat to our national security. Preliminary reports regarding the terrorists’ attacks indicate the perpetrators and their accomplices were supported by a pervasive and sophisticated financial network that relied heavily on the use of cash. It has been reported that some of the four

airplanes' hijackers paid cash for their flight school instruction, airline tickets and other expenditures, and that a number of accomplices detained by federal authorities were reportedly carrying bags that contained large amounts of cash or cashier's checks.

The terrorists' financial network and the heavy reliance on cash transactions to avoid detection call into question the effectiveness of our anti-money laundering laws. In 1984, the Congress enacted Section 6050I of the Internal Revenue Code to require businesses to file Form 8300 reports with the Internal Revenue Service when customers made purchases with more than \$10,000 in cash. While the reports required by the Bank Secrecy Act can be used to trace movements of cash into and out of financial institutions or across national borders, only the Form 8300 provides information that can be used to trace cash movements into retail sectors of the economy and link abnormal uses of cash to purchases of goods or services with possible illicit sources of that cash. When first enacted, Congress believed the Form 8300 would allow the IRS to identify tax evaders participating in the so-called "underground economy." Today, this provision is also used to combat drug trafficking, money laundering and other illicit activities – and now the war against terrorism. For the Form 8300 to be a valuable enforcement tool, it requires the business community to comply with the reporting requirements and law enforcement agencies to make effective use of the information provided.

Accordingly, we are interested in learning how the IRS and other federal law enforcement agencies are using Section 6050I, and whether the provision has been helpful in tracking down suspected terrorists connected with the September 11 attacks. We would like to ensure that all federal law enforcement agencies have every possible means of ensuring maximum use of this mechanism to target criminal activity. Please provide us with answers to the following questions:

(1) In general, how many filings of Form 8300 does the IRS receive each year? How many Forms 8300 are designated as "suspicious transaction" reports? Where and how are the Forms 8300 processed? How many inquiries are made annually to the Form 8300 database? How are the "suspicious transaction" reports handled? How long does it take to process a Form 8300? How long does it take the IRS to process a "suspicious transaction" report? Are all "suspicious transaction" reports investigated? Is the Form 8300 database current? To what extent is information from the Form 8300 shared with other law enforcement agencies? Are there any limitations on the dissemination and use of the Form 8300 information?

(2) What is the level of compliance by the business community? Are the Forms 8300 filed by the business community timely, complete, and accurate? What is the percentage of Forms 8300 that are of no use because of missing information? What efforts has the IRS taken to ensure compliance by the business community? What steps has the IRS taken to inform businesses of the Form 8300 requirement? Please provide copies of any reports on business compliance. How many penalties does the IRS assert annually for failing to file a Form 8300? How many criminal actions are taken each year for willful failures to comply with the requirements of Section 6050I?

(3) Has the Form 8300 database been analyzed to determine whether any of the businesses frequented by the September 11 hijackers or suspected accomplices filed a Form 8300? If so, please describe the identity of the individual(s) from whom the cash was received; the person(s) on whose behalf the transaction was conducted; a description of the transaction(s) and the method of payment; and the name(s) of the business that received the cash. What actions has the IRS taken with regard

to these reports?

(4) Is the IRS aware of any cash transactions related to the September 11 attacks that should have been reported to the IRS, but were not? If so, please provide the name and address of the business and a description of the transaction(s) and the method of payment.

(5) Is there anything Congress can do to make the Form 8300 requirement a more useful investigative and prosecutorial tool for the IRS and all other federal law enforcement agencies? What steps is the IRS taking to make the Form 8300 program more effective?

Given the urgency of this matter, we would like a response to this inquiry no later than Thursday, October 6, 2001. Since answers to some of these questions might contain confidential taxpayer information or sensitive investigative materials, we are requesting that you provide us with a separate redacted version of your response that can be disclosed to the public.

Sincerely,

Charles E. Grassley  
Ranking Member

Max Baucus  
Chairman

cc: The Honorable Paul O'Neill  
The Honorable Tom Ridge